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INFO RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE PRIORITY
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RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY
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SUBJECT: MEXICAN CONGRESS PASSES SPENDING BILL, CLOSES IN
SPIRIT OF PARTISAN COMITY

REF: A) MEXICO 7049 B) MEXICO 6934

11. Summary: After easily passing the revised revenue package on December 21 (ref A), the Mexican Chamber of Deputies passed a USD 208 billion spending bill on December 23 by a vote of 440 in favor to 20 opposed, with five abstentions. The final bills largely conformed with President Calderon's budget proposal, but some changes were made to provide more funding than he had initially requested for public universities, pensions in rural areas, highway construction, and social programs. To help offset these plus ups, the Chamber of Deputies cut Calderon's requests for state oil company PEMEX, the federal judiciary, the Congress, the Federal Electricity Commission, and the Federal Electoral Institute. Both the revenue and spending portions of the 2007 budget will be signed by President Calderon and published in the Official Gazette in time for them to take effect on January 1. End summary.

12. The official appropriations text has not yet been made available, but summaries from the Finance Secretariat and news media report that Congress has kept the vast majority of Calderon's 2007 budget request intact. Congress boosted revenues by USD 2.4 billion over what the executive branch had proposed (reftel A), and cut USD 5.2 billion from the President's spending proposal (see para 4), thus allowing an additional USD 7.6 billion of spending for the congressionally favored winners listed below.

More for the Poor

13. Deputies from the left-leaning Revolutionary Democratic Party (PRD) pushed for additional spending on the poor that had not been included in Calderon's original request. They succeeded in securing enough support from other parties for both a milk subsidy and a monthly pension of USD 46 for more than a million rural inhabitants over the age of 70. In return, they agreed to fund three of Calderon's campaign

promises: 1) refunds of social security taxes paid by employers who hire recently graduated first-time entrants to the workforce; 2) a criminal database; and 3) health care insurance for newborns. The National Autonomous University of Mexico (UNAM), the country's largest public college, received USD 62 million more than had been called for by the executive branch. As detailed in ref B, Calderon's proposed level of spending on education -- considered low by the PRD and many others -- had sparked controversy and led to Calderon asking his finance secretary to work with Congress on a deal. Others who made out better on the final version of the bill include the Oportunidades program (ex-President Fox's signature anti-poverty program that links payments to poor families to school attendance by their children and regular health check-ups), basic public education and health, the agriculture sector, and other social programs. The deputies also allocated a further USD 1.3 billion for infrastructure and highways, much of which is destined for poor states like Oaxaca and Chiapas.

Less for the Rest

¶4. To make up for the extra largesse distributed to the above-mentioned institutions and programs, the Chamber of Deputies had to slice Calderon's proposed appropriations for other accounts (in addition to boosting the amount of government income called for in Calderon's revenue proposal).

Despite declining oil production and calls for more aggressive exploration, PEMEX instead will get two percent less than the President requested. Deputies also cut funds for the judiciary and legislative powers, the Federal

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Electricity Commission, and the Federal Electoral Institute.

Comment: How Long Will the Christmas Spirit Last?

¶5. Jorge Zermeno, the Chair of the Chamber of Deputies, closed the 2006 congressional session with praise for the cooperative spirit that marked the hurried deliberations over the budget. His message was borne out by the large majorities by which the Chamber of Deputies passed both the revenue and spending bills (the Senate also approved the former by a wide margin - it has no vote on spending bills), neither of which ended up looking significantly different from Calderon's original proposal. This constitutes clear evidence that, despite the intense political acrimony of the preceding months, Mexico's major parties are capable of putting aside partisanship to take care of the basic business of governing. However, these votes did not force decisions on fundamentally thorny economic issues like expanding the tax base and reducing the government's dependence on the increasingly weak PEMEX, so it might be safer to chalk up the easy passage of the 2007 revenue and spending bills to a desire to get home in time for the holidays and a willingness to defer to Calderon's mostly vanilla-flavored first budget proposal. As meatier reform issues make their way onto the agenda, congressional comity will be sure to face a sterner test. End comment.

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